THE INTERNATIONAL WHEAT AGREEMENT

Wheat is one of the most important food commodities in many areas of the world. Large volumes move regularly in international trade.

A few countries produce more wheat than they need for their own consumption, have supplies for shipment beyond their own borders, and are classed as "wheat exporting countries." A larger number produce less than their needs, depend upon shipments from other areas, and are classed as "wheat importing countries."

These groups have special problems. For the exporters, it is primarily to be assured stable markets from year to year. For the importers, it is to be assured stable supplies. An additional need for both is reasonable stability of prices.

These problems have been of concern to wheat trading countries for many years. As far back as 1931, a first conference of nations was held in Rome to start work on the development of international cooperation on wheat marketing problems. After many such conferences, the first International Wheat Agreement was reached and put into effect in 1949. Agreements have been in operation continuously since that time. A new Agreement, the current IWA, went into effect on August 1, 1959, for a 3-year period. In the fall of 1960, 34 importing and 9 exporting countries were participating.

U. S. Department of Agriculture, Commodity Stabilization Service

The Agreement is administered by an International Wheat Council, with headquarters in London. Every country taking part in the Agreement is a member of the Council. While the Council itself meets only at intervals, day-to-day jobs are taken care of by the Council's Executive Committee and a Secretariat. The administrative responsibility for United States operations related to the IWA is handled by the Commodity Stabilization Service of the U. S. Department of Agriculture.

An indication of the importance of the International Agreement to the United States, in helping to stabilize world wheat marketing, is given in the fact that our wheat exports in recent years have been running at more than 400 million bushels. This compares with approximately 600 million bushels used each year domestically. In other words, exports have been accounting for about two-fifths of our total wheat disappearance.

Participation in IWA does not restrict wheat exports in any way. The United States is free to export any quantity of wheat outside the Agreement, to any country where exportation is not prohibited by statutes or by the U. S. Department of Commerce under the Export Control Act of 1949.

From the start of the Agreement 11 years ago until the fall of 1960, a total of more than 1 billion 700 million bushels of United States wheat moved into export under IWA. However, the record shows that additional large quantities were shipped "outside" the Agreement to member IWA countries through normal exports or special programs. There is also substantial trade with non-IWA countries. (Because the price-supported domestic market has been well above world market levels in recent years, a subsidy to make United States wheat competitive has been necessary for all exports.)

The goal of the original International Wheat Agreement of 1949 was the development of a stable world wheat market. That is still the overall goal, but the current IWA includes a broadening of objectives and some changes in the details of operating procedure.

Original objectives were stated as simply to assure markets for wheat exporting countries and supplies for importing countries, at equitable and stable prices. The objectives of the Agreement which went into effect on August 1, 1959, were expanded to include: (1) an attempt to contribute to the solution of the problems of burdensome surpluses and critical shortages; (2) promotion of international trade in wheat and wheat flour; (3) encouragement of increased consumption of wheat and wheat flour wherever possible; and (4) the furthering of international cooperation on world wheat problems.

The principle of the carrying out of IWA transactions by private trade on a negotiated basis within established maximum and minimum prices has been continued in the Agreements since the first was put into effect. However, while the earlier Agreements included the establishment of quotas as the basis for import and export commitments, the current Agreement is based primarily on percentages of commercial trade.

For purposes of comparison, there follows a listing of basic operating provisions under the last previous Agreement (1956-59) and the current Agreement which went into effect August 1, 1959. The Agreements from 1949 to 1959 were substantially the same.

For the 1956-59 period, the Agreement provided for:

1. The guaranteed quantities, which pertained to rights and obligations at the maximum price and the minimum price, aggregated approximately 300 million bushels of wheat (including flour in terms of wheat equivalent).
2. The exporting countries were obligated to sell only at the maximum price. The maximum price for wheat was $2 a bushel, basis No. 1 Manitoba Northern bulk wheat in store at Fort William/Port Arthur, Canada.
3. Importing countries were obligated to buy only at the minimum price of $1.50 per bushel.
4. Between the maximum and minimum prices, wheat was free to move between Agreement countries at prices agreed upon between buyer and seller.

The current International Wheat Agreement represents a departure from preceding Agreements. It provides for:

1. A basic minimum price (gold dollar) of $1.50 a bushel and a basic maximum price of $1.90 a bushel for No. 1 Manitoba Northern bulk wheat in store at Fort William/Port Arthur, Canadian ports on Lake Superior.
2. When prices are within the range stipulated in the Agreement, importing members are obligated to purchase annually from the exporting members at least the percentages, specified in the Agreement, of their total commercial imports from all sources.

3. The exporting members of the Agreement undertake to make available for purchase by the importing member countries sufficient wheat and flour to satisfy their total annual commercial wheat and flour requirements, and when prices are at the maximum, exporting countries have an obligation to supply specified quantities determined on the basis of historical commercial trade.
4. When prices are at or above the maximum in all, or in one or more but not all, of the exporting countries, the importing countries are relieved of all or a portion, as the case may be, of their percentage purchase obligations.

The International Wheat Council conducts an annual review of the world wheat situation, in the light of information obtainable in relation to national production, stocks, prices, trade, including surplus disposal, and other relevant data. The Council then informs member-countries of the effects on international trade in wheat and flour of the facts which emerge.

Early in the crop year, the exporting members report to the Council the estimated quantities of wheat which they will have available for export during the year. Likewise, the estimated commercial wheat and flour import requirements of the importing countries are reported to the Council by those countries each crop year. Both import and export members must submit reports of actual imports and exports of wheat and flour.

The Agreement also provides for action to be taken by the IWC in the event of crop shortages in exporting countries, and for relieving an importing country from its purchasing obligations in case of balance of

payments difficulties. Other provisions deal with critical need, review of members' performance in the light of obligations, disputes between members, withdrawal of members, accession of additional countries, and amendments to the Agreement.

Participating wheat exporting countries are: Argentina, Australia, Canada, France, Italy, Mexico, Spain, Sweden, and the United States of America.

Wheat importing countries participating in the Agreement, and "commercial import" percentages applicable thereto, are:

Country	Percent
Austria	45
Belgium, including Luxembourg	80
Brazil	50
Costa Rica	90
Cuba	90
Dominican Republic	90
El Salvador	75
Federal Republic of Germany	70
Greece	50
Guatemala	75
Haiti	90
Honduras Republic	90
Iceland	80
India	70
Indonesia	70
Ireland	90
Israel	60
Japan	50
Korea	90
Kingdom of the Netherlands	75
New Zealand	90
Norway	60

Country	Percent
Panama	90
Peru	70
Philippines	70
Portugal	85
Federation of Rhodesia and Nyasaland	90
Saudi Arabia	70
Switzerland	80
Union of South Africa	90
United Arab Republic	30
United Kingdom	80
Vatican City	100
Venezuela	70

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